

# GLOBAL COMPACT

Communication On Progress



**Rural Electrification Corporation Limited**  
(A Government of India Enterprise)

## **Executive Summary of REC**

Rural Electrification Corporation Limited (REC) occupies a key position in the GoI's plans for the growth of the Indian power sector, especially in the area of rural electrification, where REC plays an integral role in implementing the GoI's rural electrification strategy. Over the years, the mandate of REC has evolved in accordance with the development priorities of the GoI, with the result that REC now finances all segments of power sector throughout the country and has emerged as one of the leading public financial institutions in the Indian power infrastructure space.

REC was incorporated in July 1969 with the main objective of financing rural electrification schemes for the purpose of developing the power infrastructure in rural areas. The schemes have historically aimed at extending and improving the supply of electricity and the energisation of agricultural pump sets. The company was declared a Public Financial Institution in Feb 1992 followed by its registration as NBFC in 1998. REC achieved the "Mini Ratna" Grade-I status in 2002 followed by the most coveted Navratna Status in 2008. It is now a listed company with 81.82 % GoI holding.

REC has been accorded highest safety ratings by CRISIL, FITCH, and CARE. REC has achieved the "Excellent" MOU rating for FY 2007-08 for 15th time in continuous succession.

On an international basis, it holds long-term borrowing ratings of "BBB-" and "Baa3" from Fitch and Moody's, respectively, which are on par with sovereign ratings for India.

### **Business of REC**

REC's principal products are long term loans and short term loans backed by securities in the form of State Government guarantees, mortgage of land, hypothecation of assets etc. Additionally, REC also provides debt refinancing and bridge loans. REC borrowers include State Sector Power Utilities/SEBs, Central Sector, Joint Sector and Private Sector Power Utilities. REC now competes favourably with all the financial institutions and leverages its pan-India network of 17 project offices and 5 zonal offices for development and conduct of business.

### **Transmission and Distribution Projects**

In power transmission, the principal projects financed by REC are for the evacuation of power from new power generation stations and the augmentation or strengthening of existing transmission systems. In power distribution, the principal projects financed by REC are for system improvement to reduce distribution losses and the creation of new distribution systems.

### **Generation Projects**

In generation, the principal projects financed are for the creation of new generation capacity viz, Thermal energy power generation projects, Hydro energy power generation projects etc. REC is also financing renovation, modernization and life extension schemes for generation projects.

### **Decentralised Distributed Generation (DDG)**

In line with the Government's increased emphasis on harnessing Renewable Energy sources, DDG group has been created in REC. It deals with financing of Renewable energy projects with energy source as Biogas, Biomass, Wind, Solar and Small Hydro projects. So far REC has financed 21 Renewable Projects. Village Electrification through DDG also finds place in RGGVY, a prestigious programme of Government of India for Rural Electricity Infrastructure and Household Electrification. REC is the Nodal agency for implementation of this programme.

### **Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY)**

In Fiscal 2006, the GoI initiated the RGGVY, which has as its objectives the electrification of all villages and providing access to electricity to all rural households in the country, including the electrification of un-electrified, below poverty line households. REC has been appointed the nodal agency for implementation of the scheme and is responsible for complete oversight of the programme from conception to completion.

In order to achieve the electrification of villages, RGGVY contemplates the creation of a rural electricity distribution backbone with at least one 33/11 KV sub-station of adequate capacity in geographical blocks where these do not exist, a village electrification infrastructure with distribution transformers of appropriate capacity in villages and other habitations and decentralized distribution generation systems where grid electricity supply is not feasible or cost effective.

### **International Cooperation and Development**

In Fiscal 2005, REC started its International Cooperation and Development division to coordinate with bilateral and multilateral agencies for financing of projects and to forge partnerships with international agencies. This division currently has four active projects with KfW and JBIC.

### **Central Institute for Rural Electrification**

Established in 1979 at Hyderabad, this training institute of REC has conducted training in broad array of power-related areas, including best technical practices in transmission and distribution systems, legal aspects of power sector operations and power sector accounting. The institute conducts sponsored programs like DRUM and also customized programs for capacity building of Power Companies on their request. Besides, it is empanelled by Ministry of External Affairs, GOI to conduct International programs to the officers of Power sector in Afro-Asian countries under Indian technical Economic Cooperation (ITEC) and Special Commonwealth Africa Assistance plan (SCAAP) training for foreign nationals.

### **Subsidiaries of REC**

The Organisation presently has two subsidiaries,  
REC Power Distribution Company Limited (RECPDCL)  
REC Transmission Projects Company Limited (RECTPCL)

The main objective of RECPDCL, inter alia, is to promote, develop, construct, own, operate, distribute and maintain 66KV and below voltage class electrification, distribution, electric supply lines or distribution systems and Consultancy/execution of works. At present, RECPDCL is providing consultancy for third party monitoring and supervision of RGGVY works in nine States and consultancy to PSEB for procurement of 1800 MW power under Case-I of MoP Guidelines. Third-party monitoring of FRP is also being carried out in Rajasthan.

RECTPCL has been incorporated to develop transmission projects in order to promote competition in the transmission sector.

RECTPCL has two Special Purpose Vehicles as fully owned subsidiaries of REC. They are:

- (a) North Karanpura Transmission Company Limited (NKTCL) and
- (b) Talcher II Transmission Projects Company Limited (TTPCL)

REC endorses the 10 principles of Global Compact encompassing areas of human and labour rights, environmental protection, rights and subjects related to corruption etc and aims to move ahead the agenda forward. These principles are incorporated in our organizational policies on different areas and we seek the direction from these policies while discharging the issues mentioned above. REC also engages itself in various CSR initiatives and has put it as a measurable performance indicator along with numbers of villages to be electrified, number of BPL households to be connected, among others.

At community level, it takes initiatives for participating in socially relevant events viz conducting awareness programmes, promotion of sports, exhibitions and preserving cultural heritage of the country.

## **Commitment Statement by CMD**

REC acknowledges and supports the Ten Principles proposed by the Global Compact of the United Nations. We are committed to such adherence and look forward to leverage within our Organization and its Subsidiaries, the actions that such principles apply. We in REC have taken measures to accommodate the principles of human rights, labour practices, environment protection and corruption in Organization's policy as a part of identifying ourselves with best business practices. Adhering to these principles would strengthen the Organisation's response for future environmental challenges.

The Organization holds a key strategic position in Country's plan for inclusive growth. The programmes undertaken by REC identify with the philosophy of Global Compact such that from the very beginning its efforts are directed towards improvement in living standards of village folk. The programmes have contributed to poverty reduction, income generation opportunity, better health and sanitation, education, increased productivity and improved living conditions in the rural areas.

We create Value directly through tangible monetary flows from our businesses. In order to add value intangibly, we seek to live up to the demands of the present and set our eyes on future with conviction to provide best possible benefit to the stakeholders and the society as well. To achieve this, we provide the best available training, motivation and grooming needed at personal and professional front, a conducive environment of equal opportunities, safe health and safety standards and rewards system to our employees. In return we expect our employees to be ethical and commanding high Integrity.

With a strong force of around 700 employees spread over 17 project offices and five zonal offices we believe that we are capable of reaching to the marginalized communities even in the remote areas and serve them by providing access to electricity.

We believe that our commitment to these ten principles would make us a much better Organization. We continue to commit ourselves with the standards of the Ten Principles of Global Compact in future also.

## **Communication On Progress**

### **#1 Businesses should support and respect the protection of internationally proclaimed human rights.**

#### **Commitment /Policies**

REC as an organization is committed to safeguarding the basic human rights provided by The Constitution of India under tenets of a Welfare State.

#### **Action Taken**

REC endows on all its employees the right to freedom of opinion, expression, peaceful assembly and association. Every employee in the Organization has the right to life, liberty, security and legal recourse. A representative of Top Management has been entrusted with the task of taking care of Grievance Cell. We as an organization have endeavored to define a well laid policy against Gender discrimination which is looked after by a separate Women cell. The cell is responsible for hearing grievances and speedy redressal / solution of the issue.

#### **Outcomes**

The quick redressal of the issues has led to further strengthen the belief of ownership among employees.

#### **Plans for upcoming Year**

REC endeavours to take necessary and appropriate measures in future in its commitment to the cause of its employees.

### **#2 Businesses should ensure that they are not complicit in Human Rights abuse.**

#### **Commitment/Policies**

REC commits itself to promote and protect human dignity and maintain/uphold the human rights of all employees such that these rights are not infringed upon arbitrarily.

#### **Action Taken**

The Grievance Cell acts as an Ombudsman which settles issues raised by the employees related to human rights abuse (if any)



### **Outcomes**

It has boosted the Employees' faith in the efforts made by the Organisation for their betterment. It has also helped in attracting new and retaining existing employees.

### **Plans for Upcoming Year**

REC would in future also strive to adopt noble measures and incorporate new ideas which go on to further strengthen the cause of Work with Dignity.

## **#3 Businesses should uphold the freedom of association and the effective recognition on the right to Collective Bargaining**

### **Commitment/Policies**

REC as an Organization attaches considerable importance to the rights of Employees/Labour. It believes with conviction to recognize the employees' right to Collective Bargaining.

### **Action Taken**

REC has encouraged the peaceful existence of Unions both at Officers and Staff levels and recognizes the employees' right to Collective Bargaining. The Unions exist in the Organisation and decisions related with the employees' Service Terms/ Working conditions and Environment/Welfare and the like are not made/enforced without their active involvement. The compensation and service conditions of non-executive employees are decided mutually through collective bargaining.

### **Outcome**

The Unions and the Management is able to settle majority of the issues related to demand of the Officers/Employees in an amicable manner. The Union is conscious of spirit of co-existence in harmony without jeopardizing the interest of employees and Organization.

### **Plans for upcoming Year**

REC with due adherence to prevailing norms shall continue to encourage the cause of improving well being of its employees through the existence of Unions in future also



#### **#4 Businesses should make efforts in elimination of all forms of Forced and Compulsory Labour**

##### **Commitment/Policies**

REC as an Organization believes in and committed to the cause that no form of forced and compulsory labour is deployed to discharge any of its works.

##### **Action Taken**

To alleviate any possibility of direct /indirect marginalization of labour either by force or compulsion, the Organization follows the established norms and follows the terms and conditions defined in Govt's Minimum Wage Act from time to time.

##### **Outcomes**

REC has never been implicated for any violation of the norms.

##### **Plans for the upcoming Year**

REC repeats its commitment to maintain the status in future also.

#### **#5 Businesses should take measures for effective abolition of Child Labour**

##### **Commitment/Policies**

REC as an enlightened and socially conscious Employer is committed not to engage Child Labour and supports effective abolition of the same.

##### **Action Taken**

The Organisation has a policy that nobody taken on the rolls of REC permanently/temporarily/contractually shall be under the category of "Child" as per the definition of Law of the Land

##### **Outcomes**

REC is seen by the Stakeholders viz. Suppliers/Employees/Customers/Society as an Organisation adhering to Egalitarian norms of the Society

##### **Plans for the upcoming Year**

REC repeats its commitment to maintain the status in future also.

## **#6 Businesses should take measures in elimination of discrimination in respect of Employment and Occupation**

### **Commitment/Policies**

The Organization is committed to the cause of women employees, members of marginalized sections, differently abled persons such that no discrimination in respect of employment and occupation whatsoever is made

### **Action Taken**

The Organization has taken due care that all recruitments are made giving due consideration to members of marginalized sections, differently abled persons and women except for the positions which demand competencies other than what suitable for the aforesaid categories. REC also takes support of NGOs in getting Contract employees for House keeping etc.

### **Outcomes**

The efforts are visible in the way that the family of the Organization represents all hues of the Society with equal opportunity to one and all.

### **Plans for the upcoming Year**

REC with due adherence to prevailing norms shall continue to encourage the cause of discouraging such discrimination.

## **#7 Businesses should support a precautionary approach to Environmental challenges**

### **Commitment/Policies**

REC believes with conviction that efforts are required to rein in the unstinted damage to environment and brace itself for future environmental challenges.

### **Action Taken**

REC provides financial assistance for Fuel efficient Power Plant Technologies, replacement of conventional LT network by small capacity efficient DTs, HVDS and FRP Projects in some states. It Encourages use of CFL in Rural Household Electrification under RGGVY Programme, a gigantic mission of electrifying all villages of the Country by year 2011-12.

### **Outcome**

The Organization has helped the Utilities decrease the T&D Losses and thus able to save energy, reduce heat and carbon emissions in the atmosphere. This all finally translates into financial gains for the utilities.

### **Plans for the upcoming Year**

REC would make every effort to enlarge the scope of these activities as a part of its contribution to cause of environment.

## **#8 Businesses should undertake initiatives to promote greater environmental responsibility**

### **Commitment/Policies**

REC as an environmentally responsible Organization believes in and gives active support through various policy interventions to the initiatives related with environment protection

### **Action Taken**

REC while providing financial assistance for Power Projects makes it compulsory on part of the borrower to get prior clearance on Environment Impact Assessment from Ministry of Environment and Forest GOI, clearance from State Pollution Control Board, and clearance from District Administration on R&R issue (if any).

### **Outcomes**

As a premier funding agency for Power Sector, the projects commissioned by REC's assistance have been compliant with the norms prescribed by the Govt.

### **Plans for the upcoming Year**

In its commitment to Environmental protection, REC would comply with the new accepted norms time to time and make it applicable on its borrowers

## **#9 Businesses should encourage the development and diffusion of environmentally friendly technologies**

### **Commitment/Policies**

REC is committed to promote technologies which are helpful in reducing burden on natural resources

### **Action Taken**

REC provides financial assistance for promotion of new and renewable sources of Power projects subject to their financial viability viz. Biogas, Biomass, Mini Hydro, Solar and Wind Power. The Organization has recently created a separate division entrusted with promotion of Decentralised Distributed Generation (DDG) Projects.

### **Outcomes**

Projects worth 3.6 million USD have been sanctioned in the financial year 2008-09

### **Plans for the upcoming Year**

In order to boost the initiative further, the Organization has doubled the targets of sanctions close to around 8million USD under renewable sector.

## **#10 Businesses should work against all forms of corruption, including extortion and bribery**

### **Commitment/Policies**

REC is committed to adherence to Fair practices in conduct of its Business and root out corruption including extortion and bribery

### **Action Taken**

REC as a usual practice keeps its borrower's informed of the latest changes in its lending rates and other terms and conditions. It has a full functioning Vigilance Deptt. headed by an independent officer nominated by Central Vigilance Commission and through its well laid out vigilance policy it acts to curb immoral activity. It has defined the rules for prevention of insider trading and Code of Conduct for Board Members and Senior Management.

**Outcomes**

Our Borrowers have expressed faith in ourselves by carrying on Business with us.

**Plans for the upcoming Year**

REC plans to make the Policy more comprehensive in years to come.